

CREDIT CARD SAFETY STAR

What is a Credit Card Safety Star?

A Credit Card Safety Star is a rating of the safety of a credit card's agreement. It is designed to boil down the jargon that tends to get consumers in trouble. It is not a rating of how good the interest rate is on a card, but rather it is an assessment of how safe a card is for a consumer to use. Because credit card agreements are notorious for their complexity, a safety rating will help consumers to better compare cards without having to understand technical credit card terms. No one aims to be late with a credit card payment, go over their credit limit, or face financial hardship. However, when something does happen, consumers should be able to know whether or not their credit card issuer will treat them fairly or if they can expect to be kicked while they're down.

How the Credit Card Safety Star Will Work:

Each card will receive a rating between one and five stars. Five-star cards are the most safe and one-star cards are the least safe. Points are awarded to cards that have particularly good terms, while cards that have abusive terms lose points.

How the Public Will Know About Credit Card Safety Stars:

Every credit card agreement, billing statement, supplementary materials, and card will have the Credit Card Safety Star rating displayed. It will show not only how many stars the card receives, but also how many it did not receive. For example:



The Federal Reserve will engage in an extensive public education campaign, including TV, radio, print and Internet advertisements. It will also maintain a website to which consumers can go to get more information about the rating system and their credit cards.

How the Credit Card Safety Star Will Remain Relevant:

The Federal Reserve will be charged with evaluating new credit card terms or concepts. It will inform issuers seeking to market a card with a new term how star ratings on cards are affected by that term. The Federal Reserve will also be required to re-evaluate the point system annually. If it finds that the system is not protecting consumers as Congress intended, it will make adjustments to accommodate for the changing market. Additionally, there will be a Commission tasked with evaluating the system and issuing reports to Congress regarding its efficacy, its value to consumers, and suggestions on how to improve it.